

20 November 2020

The Manager, Listings
ASX Limited
Company Announcements Office
Level 4 Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

2020 Annual General Meeting – Chairman's Address and CEO Presentation

We attach a copy of the Chairman's address and the CEO's presentation to be delivered to shareholders at the Senetas Corporation Limited virtual Annual General Meeting to be held today, Friday, 20 November 2020 at 10:30 am (Melbourne time).

Yours sincerely



Brendan Case
Company Secretary



CHAIRMAN'S ADDRESS

The 2020 financial year saw some significant milestones for Senetas as we continued to build our platform for sustainable revenue growth.

Senetas has been producing world leading ethernet layer hardware encryption devices for many years now and whilst those products will remain a critical feature of our business going forward, we recognised some years ago that the relatively narrow market of customers that require such high speed and high assurance devices was not going to drive the business growth that the board expects.

Our objective has been to use Senetas's outstanding engineering and innovation skills to develop a portfolio of security products that meet a wider range of customer needs and geographies – broadening our revenue base and deepening our relationships with customers.

The results of this heightened focus on realising growth opportunities has seen the development of new products and capabilities in recent years that we are confident will provide significant revenue growth for Senetas into the future. These include:

- Development of the ultra-fast 100Gbps high assurance encryptor for mega-data networks
- Network independent encryption capabilities for our hardware devices that now have the capability to encrypt across both ethernet and internet networks
- Custom algorithm devices targeted at the Eastern European market
- Virtualised or software encryption products scalable to thousands of end points across wide area networks; and
- SureDrop for encrypted file sharing and collaboration

Senetas is continuing to innovate in order to ensure that its customers can be assured that its products are best of breed and capable of protecting data in motion from both present and future threats. We will have more to say on these developments in the coming weeks.



During the 2020 financial year Senetas also moved to a controlling stake in Votiro, the producer of patented content disarm and reconstruction technology solutions. Ransomware attacks are one of the greatest cyber security threats the world is facing, and the capability of Votiro's File Disarmer product to protect users against most ransomware threats is driving significant customer interest from both commercial and government customers.

As a sign of the strength of our relationship and the regard in which Senetas's products are held, our global distribution partner, Thales, has agreed to take on distribution of all of these new products – providing Senetas with distribution in up to 68 countries worldwide with a salesforce of more than 400.

Whilst the vast majority of Senetas's revenue in the 2020 financial year was driven by our traditional hardware encryption devices, we expect that these new products will begin to make much more significant revenue contributions in the coming years. Andrew Wilson will provide a more detailed operational update in his CEO presentation shortly, however, already in the 2021 financial year we have seen our largest ever sale of 100Gbps devices and our first SureDrop and custom algorithm device sales. Encouragingly, all of those sales were to customers who until recently had not been users of Senetas products.

Our challenge is to ensure we harness the strength and reputation of our global partner Thales to make use of their country and customer coverage to drive a significant increase in sales. Whilst COVID-19 has been disruptive from a travel perspective Senetas and Thales have used the opportunity to plan how to deliver significant growth in sales. As a result a number of new initiatives have been introduced, the most important of which is the establishment of a cross business unit sales group to ensure Senetas encryption solutions can be embedded in large projects undertaken by Thales business groups apart from CPL and TCT. We are starting to see benefits from this new initiative.

Cyber security is a topic receiving increasing global attention and continues to present Senetas with further opportunities for growth. The board is determined that Senetas will continue to identify and deliver on these opportunities to grow our business using the capabilities of the Senetas engineering and innovation team to develop high assurance security solutions that meet our customer's needs.



SENETAS CORPORATION LIMITED

AGM – 20 NOVEMBER 2020

Whilst we continue to remain somewhat cautious about the short term outlook in the current economic environment due to the impacts of COVID-19, the 2021 financial year has commenced strongly for the business and I remain very confident about Senetas's future and its ability to deliver returns for shareholders.

I would now like to hand over our Andrew Wilson for his CEO presentation.



Senetas Corporation Limited

CEO Presentation – Andrew Wilson

2020 Annual General Meeting – 20 November 2020

FY2020 Group Highlights

- Operating revenue of \$22.6 million – up 6.1% on FY2019
 - Group revenue includes \$2.8 million of revenue from Votiro for the period after it became a controlled entity in November 2019
- Gross margins for the Group of 87%
- Operating profit before tax for the underlying Senetas business up 4.8% to \$4.1 million, excluding impacts from the Votiro investment
- Consolidated group net loss before tax including Votiro of \$2.9 million
- Consolidated group net loss after tax of \$3.6 million
- Consolidated group Net Assets at 30 June 2020 up 3.1%
- Strong balance sheet with \$15.7 million of cash at 30 June 2020 and no debt

KEY FINANCIALS



FY2020 Key Financials

Full year ended 30 June 2020 (\$000's)	FY2020*	FY2019	Change
Revenue from ordinary activities	22,605	21,313	6.1%
Gross profit	19,641	16,692	17.7%
Gross Margin %	87%	78%	8pts
Other income	712	708	0.5%
Share of loss of an associate*	(1,234)	(1,651)	25.2%
Profit (loss) before tax	(2,855)	320	-
Tax expense	(696)	(783)	11.1%
Net profit (loss) after tax	(3,551)	(463)	-

*Votiro results consolidated from November 2019. Loss of associate in FY2020 reflects Senetas's share of Votiro results from July-October 2019

- 6.1% growth in operating revenue – including consolidated Votiro revenue from November 2019 onwards
- Increase in gross margin reflects lower inventory transfers and depletion of Thales inventory during the period, and 96% gross margins for the Votiro business
- Tax line reflects tax expense on the Senetas segment underlying net profit before tax

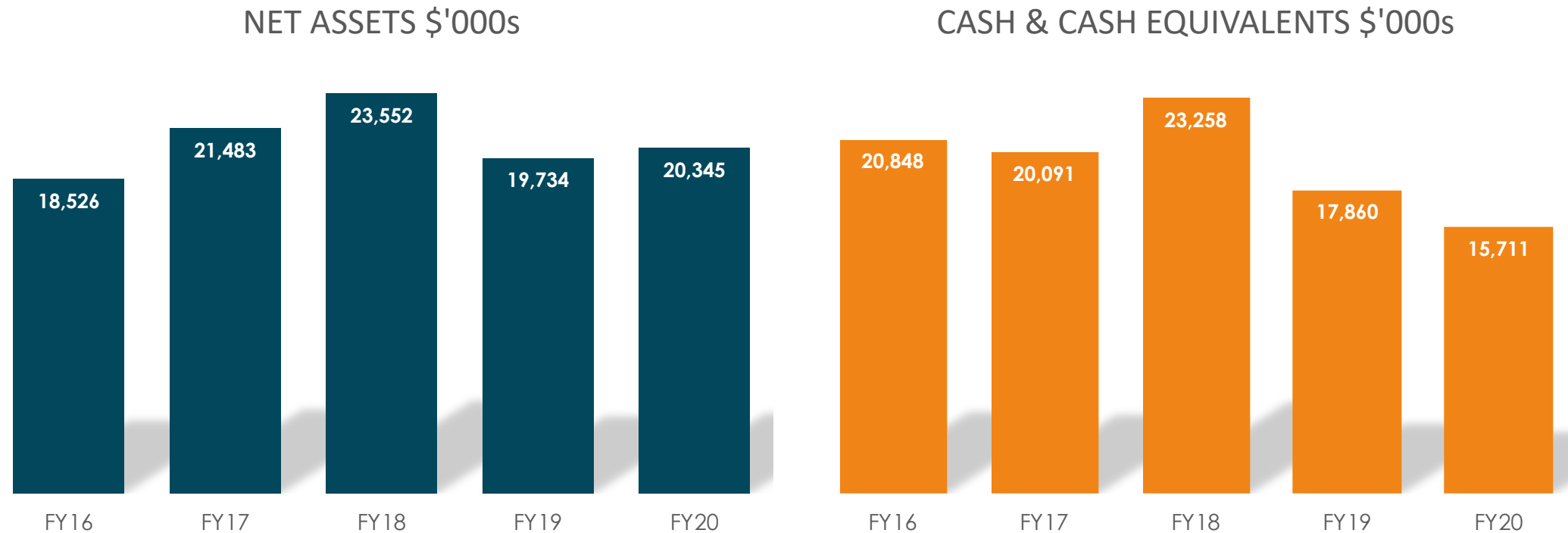
Senetas Operating Segment Results

Full year ended 30 June 2020 (\$000's)	FY2020	FY2019
Revenue from ordinary activities	19,790	21,313
Gross profit	16,950	16,692
Gross Margin %	86%	78%
Other income	1,254	708
Profit (loss) before tax	3,269	320
<i>Adjustments to calculate underlying Senetas segment net profit before tax</i>		
Share of loss of an associate (Votiro)	1,234*	1,651
Gain on step acquisition	(452)	-
Impairment to investment in SAT	-	1,893
Underlying net profit (loss) before tax	4,051	3,864

* Loss of associate in FY2020 reflects Senetas's share of Votiro results from July-October 2019

- Operating revenue was 7.1% below the prior period but gross profit was up 1.5% reflecting the higher percentage of recurring maintenance revenue in FY2020, and lower inventory transfers to Thales as inventory levels were depleted
- Higher R&D costs in FY2020 were partly offset by lower corporate overheads during the period
- Underlying net profit before tax was 4.8% higher than the prior period

Strong Group Balance Sheet With No Debt



Since FY2018 Senetas has returned \$4.5 million to shareholders via dividend and capital payments

FY2020 OPERATIONAL UPDATE

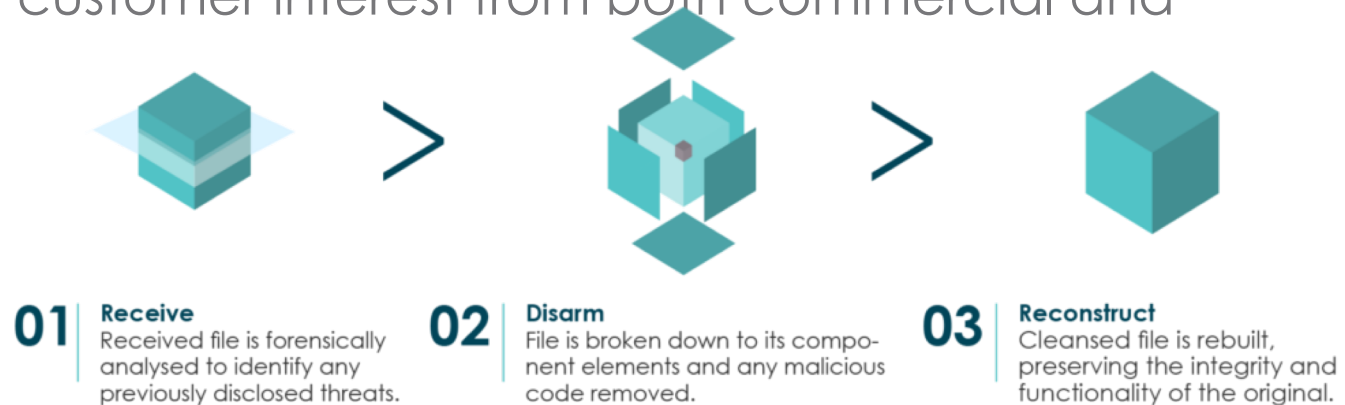


Senetas

- Continued growth in 100Gbps encryptor sales as more customers move to adopt 100Gbps network technology
- FY2020 R&D priorities focussed on network independent encryption and a new European certification in order to open up new market opportunities in Europe
 - Network Independent Encryption capability for Senetas's CN series hardware encryptors provides the capability to encrypt concurrently across Ethernet and Internet protocol networks – substantially increasing the product use cases. The development has been finalised – 1 Gbps encryptors have been released to market
 - Senetas's submission for European certification on it's hardware encryptors was completed during the year
- Custom algorithm development for Eastern Europe was completed
- SureDrop partnership in Australia with AUCloud, a sovereign Australian IaaS provider, now offers file sharing and collaboration capability with 100% data sovereignty and end-to-end encryption security

Votiro

- Established presence in the North American market & executed initial product sales
- Strategic partnership and distribution agreement signed with Thales focusing on North American government agencies
- Senetas increased its funding of Votiro via a loan of US\$1m earlier in FY2021
- Growth outlook for Votiro's CDR technology remains very positive driven by the capability of Votiro's File Disarmer to protect users against most ransomware threats
- Ransomware attacks are one of the largest cyber security threats the world is facing. The capability of Votiro Disarmer to protect users against most ransomware threats is driving significant customer interest from both commercial and government customers



FY2021 OUTLOOK



FY2021 YTD

- YTD sales progress has been strong
 - Largest single order for 100Gbps encryptors announced in September
 - Good growth in EMEA region – particularly Middle East
- All government approvals have been received for the new custom algorithm encryptors – first sales were shipped in October
- First small sales of SureDrop were completed in early November – 2 customers in Australia and South Africa
- Supplier agreement signed with Verizon Australia for distribution of Senetas's encryptors as part of Verizon's managed security offerings for government and enterprise customers
- Primary focus of R&D efforts YTD has been the investment in Quantum readiness – future proofing Senetas encryption security in preparation for the advent of quantum computing

COVID-19 Update

- Customer interest remains strong, but sales execution has been slowed as a result of disruption to the normal customer engagement process and product testing procedures – no supply chain issues have emerged to date
- Sales lead times for Senetas products are long and sales to date in CY2020 largely reflect activities over the previous 12-24 months
 - No noticeable impact on maintenance revenue at this stage – key impact to date has been on product sales to US commercial customers
- We remain cautious about the potential impact of COVID-19 on FY2021 revenue despite the strong start to FY2021 so far – cost savings opportunities remain a focus
- The sales pipeline continues to reflect a modest softening in near term sales demand, but no material impact is expected on maintenance revenue
- Votiro sales growth has been strong, but the pace of growth has been slowed with existing pipeline opportunities have been slower to progress with new customers. Despite COVID-19 uncertainty, good sales growth is expected in FY2021

Thank You

